

# **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN**

Management's Discussion and Analysis  
and Financial Statements

December 31, 2013 and 2012

## Contents

---

Independent Auditor's Report	1 - 2
------------------------------	-------

---

Management's Discussion and Analysis	3 - 5
--------------------------------------	-------

---

### Financial Statements

Statements of Plan Net Position	6
Statements of Changes in Plan Net Position	7
Notes to Financial Statements	8 - 16

---

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
---	---------



LaPorte, APAC  
111 Veterans Blvd. | Suite 600  
Metairie, LA 70005  
504.835.5522 | Fax 504.835.5535  
LaPorte.com

## Independent Auditors' Report

To the Pension Administrative Committee  
St. Tammany Parish Hospital  
Defined Contribution Plan

### Report on Financial Statements

We have audited the accompanying financial statements of St. Tammany Parish Hospital Defined Contribution Plan (the Plan) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position available for benefits of the Plan as of and for the years ended December 31, 2013 and 2012, and the related statements of changes in net position available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, beginning on page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, on our consideration of St. Tammany Parish Hospital Defined Contribution Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
June 20, 2014

## **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN**

### **Management's Discussion and Analysis For the Year Ended December 31, 2013**

---

This discussion of the St. Tammany Parish Hospital Defined Contribution Plan's (the Plan) financial statements provides an overview and analysis of the Plan's financial position and activities for the year ended December 31, 2013. Please read it in conjunction with the Plan's financial statements and related notes.

#### **Financial Highlights**

The Plan's net position was \$62.8 million and \$53.9 million as of December 31, 2013 and 2012, respectively.

The net position increased by \$8.85 million (or 16%) over the reported December 31, 2012 balances, and increased by \$7.4 million (or 16%), from December 31, 2011 to December 31, 2012. The net increases are primarily due to employer provided contributions, investment income, and net of amounts distributed to participants.

The average overall rate of return on investments for the year was a positive 11.8% on a fair value basis for the year ended December 31, 2013, compared to last year's positive 9.6%. Factors affecting the rate of return include changes in world equity markets during the last two years, and changes in the distribution of participant directed investments amongst the various fund options offered by the Plan. Overall rates of return are also affected by the amounts and timing of employer contributions and participant distributions throughout the Plan year.

The Plan's investments offered to participants consist of insurance company general account and pooled separate account funds maintained by ING Life and Annuity Company (ING).

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The annual report is comprised of three components: 1) the Plan's financial statements, 2) the notes to the financial statements, and 3) the required supplementary information (management's discussion and analysis). The information available in each of the first two components is summarized as follows:

#### **Financial Statements**

The statement of plan net position presents information on the Plan's assets, liabilities and the resulting net position held in trust for benefit of Plan participants. This statement reflects the Plan's investments at estimated fair value, along with cash and other assets and liabilities as applicable. This statement indicates the net position available to pay future benefits and gives a snapshot of the Plan's financial position at a particular point in time.

The statement of changes in plan net position presents information showing how the Plan's net position held in the trust changed during the years ended December 31, 2013 and 2012. It reflects contributions by the Plan Sponsor (St. Tammany Parish Hospital), along with deductions for benefits paid to participants upon retirement or other separation of employment.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

---

Investment income is also presented showing income from the Plan's participant directed investment choices.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

**Financial Analysis**

Total assets of the Plan were \$63 million as of December 31, 2013, compared with \$54 million as of December 31, 2012, and \$46 million as of December 31, 2011. The Plan's invested assets consist principally of units of participation in *pooled separate accounts* and the Plan's *fixed general account investment*, which collectively comprise the Plan's investment contract with ING Insurance and Annuity Company. Pooled separate accounts are similar to a common or commingled trust maintained by a bank, except that a pooled separate account is maintained by an insurance company rather than a bank. The assets underlying a pooled separate account are the insurance company's property, with each of two or more unrelated participating plan's units of participation representing rights to the assets underlying the separate account. The Plan has not reported any liabilities during 2013 and 2012. As of December 31, 2011, the Plan had a distribution payable.

A summary of the Plan's net position for each of the last three years is presented below:

	December 31,		
	2013	2012	2011
<b>Assets</b>			
Investments at Estimated Fair Value	\$ 62,761,170	\$ 53,910,972	\$ 46,541,975
Receivables	260	-	1,470
Total Assets	<u>62,761,430</u>	<u>53,910,972</u>	<u>46,543,445</u>
<b>Liabilities</b>			
Distribution Payable	<u>-</u>	<u>-</u>	<u>21,448</u>
<b>Net Position - Restricted for</b>			
Pension Benefits	<u>\$ 62,761,430</u>	<u>\$ 53,910,972</u>	<u>\$ 46,521,997</u>

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

---

A summary of the changes in net position during the years ending December 31, 2013, 2012, and 2011 follows:

	December 31,		
	2013	2012	2011
<b>Additions</b>			
Employer's Contributions	\$ 4,450,762	\$ 4,441,001	\$ 4,372,698
Rollover Contributions	-	13,341	-
Net Investment Income	6,895,383	4,822,914	674,250
<b>Total Additions</b>	<b>11,346,145</b>	<b>9,277,256</b>	<b>5,046,948</b>
<b>Deductions</b>			
Benefits Paid to Participants	2,495,947	1,888,281	2,460,835
<b>Total Deductions</b>	<b>2,495,947</b>	<b>1,888,281</b>	<b>2,460,835</b>
<b>Increase in Net Position</b>	<b>\$ 8,850,198</b>	<b>\$ 7,388,975</b>	<b>\$ 2,586,113</b>

The Plan's increase in net position during the Plan years ended December 31, 2013, 2012, and 2011, reflect net additions of \$8.85 million, \$7.4 million, and \$2.6 million, respectively, which represent the Plan's net investment income for those years, contributions from the Plan Sponsor, net of distributions and other benefits paid to plan participants. For the year ended December 31, 2013, 2012, and 2011, the Plan's investments had earned income at rates comparable to those of the underlying securities and/or stated interest rates.

The Plan's changes in net position, as shown above, also reflect approximately \$4.5 and \$4.4 million of employer contributions in the Plan for the years ended December 31, 2013 and 2012, respectively. The employer contribution was calculated as a percentage of eligible salaries based on years of service as defined by the Plan. St. Tammany Parish Hospital experienced increases in both the number of employees and in overall salaries during the years 2011, 2012, and 2013. Net contributions increased from 2011 to 2013 commensurate with these increases. Benefits paid to participants primarily include payments and rollovers of the vested account balances of participants withdrawing from participation in the Plan upon termination of employment with the Hospital, and retirement benefits. Participants who received benefit payments increased slightly in each of the last three years. The average benefit paid to participants increased from approximately \$57,200 in 2011 to approximately \$38,500 in 2012. In 2013, the average benefit per participant receiving distributions was approximately \$47,000.

**Requests for Additional Information**

Questions concerning any of the information provided herein or requests for additional financial information should be addressed to St. Tammany Parish Hospital Defined Contribution Plan, Administration, 1202 S. Tyler Street, Covington, LA 70433.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN  
Statements of Plan Net Position  
December 31, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Investments at Estimated Fair Value		
Pooled Separate Accounts	\$ 46,387,997	\$ 38,144,829
Deposit Administration Contracts	16,372,913	15,766,143
Total Investments	<u>62,760,910</u>	<u>53,910,972</u>
Employer Contribution Receivable	<u>260</u>	<u>-</u>
<b>Total Assets</b>	<u>62,761,170</u>	<u>53,910,972</u>
<b>Net Position - Restricted For Pension Benefits</b>	<u>\$ 62,761,170</u>	<u>\$ 53,910,972</u>

The accompanying notes are an integral part of these financial statements.



**ST. TAMMANY PARISH HOSPITAL**  
**DEFINED CONTRIBUTION PLAN**  
**Statements of Changes in Plan Net Position**  
**For the Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Additions</b>		
Contributions		
Employer's	\$ 4,450,762	\$ 4,441,001
Rollover	-	13,341
Total Contributions	<u>4,450,762</u>	<u>4,454,342</u>
Investment Income		
Net Appreciation in Fair		
Value of Investments:	6,380,746	4,311,426
Interest on Guaranteed Accounts	<u>514,637</u>	<u>511,488</u>
Total Investment Income	<u>6,895,383</u>	<u>4,822,914</u>
Total Additions	<u>11,346,145</u>	<u>9,277,256</u>
<b>Deductions</b>		
Benefits Paid to Participants	<u>2,495,947</u>	<u>1,888,281</u>
Total Deductions	<u>2,495,947</u>	<u>1,888,281</u>
<b>Net Increase</b>	<b>8,850,198</b>	<b>7,388,975</b>
<b>Net Position - Restricted for Pension Benefits</b>		
Beginning	<u>53,910,972</u>	<u>46,521,997</u>
Ending	<u>\$ 62,761,170</u>	<u>\$ 53,910,972</u>

The accompanying notes are an integral part of these financial statements.

# **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN**

## **Notes to Financial Statements**

---

### **Note 1. Description of the Plan**

The following description of the St. Tammany Parish Hospital Defined Contribution Plan (the Plan) provides only general information. Participants should refer to the Plan adoption agreement and the relevant Summary Plan Descriptions of the Plan, which are made available to all participants, for a complete description of the Plan's provisions.

#### **General**

The Plan is a noncontributory, defined contribution pension plan covering all eligible full-time and part-time employees of St. Tammany Parish Hospital Service District No. 1 (the Hospital). The Plan and Trust of which it is a part are intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (IRC) and similar state tax laws.

Hospital service districts in Louisiana are authorized under Louisiana Revised Statute 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service, Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the IRS and ERISA.

Effective January 1, 2013, the Plan was amended restated. This amendment primarily affected the nature of employer contributions. The description of the Plan included below reflects these amendments and restatements.

#### **Eligibility**

Employees of the Hospital who have completed the minimum requirement of one year of service are eligible to participate in the Plan. An employee is credited with one year of service for each twelve consecutive months in which the participant has completed 1,000 or more hours of service with the employer. Effective January 1, 2013 the Hospital's component unit, St. Tammany Physicians Network, Inc. (STPN) became a participating employer in the Plan.

Employees hired, or who have a change in employee status date, on or after January 1, 2013, are eligible to receive contributions if they are employed on the last day of the Plan year. Exceptions to this are those whose employment has been terminated due to death, total or permanent disability, or early or normal retirement. This condition of eligibility is not in place for those hired before January 1, 2013, and who did not terminate employment or change to an ineligible status after December 31, 2012.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 1. Description of the Plan (Continued)**

**Contributions**

For eligible employees hired before January 1, 2013, and who did not terminate employment or change to an ineligible status after December 31, 2012, the Plan's participating employers contribute funds equal to 6% of the aggregate compensation of those participants and 5.7% of compensation in excess of the social security wage base.

For eligible employees hired, or who have a change in employee status date, on or after January 1, 2013, the Plan's participating employers contribute funds equal to a percentage of aggregate compensation for those participants based on the following table:

<u>Years of Service</u>	<u>Contribution Percentage</u>
Less than 1	0%
1 - 4	2%
5 - 9	3.5%
10 - 14	5%
15 or more	6%

Contributions are remitted to the trustee and are invested in accordance with the provisions of the Plan. For eligible employees hired before January 1, 2013, and who did not terminate employment or change to an ineligible status after December 31, 2012, contributions are remitted in conjunction with the bi-weekly payroll periods. For eligible employees hired, or who have a change in employee status date, on or after January 1, 2013, contributions are remitted annually at the end of the Plan year.

Participants direct the investment of contributions on their behalf into various investment options offered by the Plan. Participants may also rollover amounts representing distributions from other qualified defined benefit or contribution plans.

**Participants' Investment Options**

Investment options available to participants include a guaranteed interest account, and numerous variable equity and fixed income fund options provided through a pooled separate account arrangement.

**Vesting**

Employer contributions on behalf of participants are 100% vested after five years of credited service.

**Participant Accounts**

Income earned on investments and the net realized and unrealized appreciation in estimated fair value of investments are allocated to participants' accounts in the ratio of each participant's adjusted beginning balance to the adjusted beginning balance for all participants. The adjusted beginning balance is defined as the account balance at the beginning of the period less withdrawals, distributions, forfeitures and other payments made during the period.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 2. Significant Accounting Policies**

Upon retirement, death, or disability, the participant is entitled to receive the value of his or her account within 60 days after the close of the Plan year in which the event occurred. The participant may elect to receive the vested portion of the account in a lump-sum distribution or in periodic payments. Terminated employees receive benefits no later than 60 days after the end of the first Plan year after the break in service occurs.

**Forfeitures**

Forfeitures of terminated employees' non-vested account balances are applied as a reduction of employer contributions. During 2013 and 2012, employer contributions were reduced by \$292,497 and \$259,206, respectively, from forfeited non-vested accounts.

The balance of forfeited non-vested accounts may be used to reduce future employer contributions. At December 31, 2013, there was a remaining balance of \$81 of forfeited non-vested accounts. At December 31, 2012, there was no remaining balance of forfeited non-vested accounts.

**Use of Estimates and Basis of Accounting**

The financial statements are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB). These financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and related standards.

The financial statements of the St. Tammany Parish Hospital Defined Contribution Plan have been prepared on the accrual basis of accounting. Employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income is recognized when earned. Under the Governmental Accounting Standards Board's Accounting Standards Codification the Plan's investment contract is required to be reported at fair value.

**Impact of Significant Recently Issued and Adopted Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of the statement are effective for periods beginning after December 15, 2012.

The Plan's adoption of this statement in 2013 did not have any impact on the Plan's financial statements.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 2. Significant Accounting Policies (Continued)**

**Recently Issued Significant Accounting Pronouncements Not Yet Adopted  
(Continued)**

**Recently Issued Significant Accounting Pronouncements Not Yet Adopted**

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of the pronouncement is not expected to have a material impact on the Plan's financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASE Statement No. 27*. The Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of this pronouncement is not expected to have a material impact on the Plan's financial statements.

**Investments**

The Plan's investments were held by the Plan's trustee, ING Life Insurance and Annuity Company (ING). Under the terms of the trust agreement, the trustee administered the investment transactions of the Plan on behalf of the participants and has discretionary authority over the Plan's assets, which can include investing in the trustee's administered accounts. The investments and changes therein are reported at fair value as determined by the trustee.

All investments in 2013 and 2012, consisted of either deposit administration contracts or pooled separate accounts. The accounts are managed and administered by the custodians and related entities. The custodian is responsible for calculating the per unit fair value of the respective funds' net position. Under the terms of the prospectuses, the Plan can divest itself of the investments by reselling them to the respective fund daily at a unit price equal to the per unit interest of the fair value of the funds' net position. The investments in these funds are stated at the Plan's pro rata interest in the fair value of the funds' net position.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 2. Significant Accounting Policies (Continued)**

**Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value.

Investments in insurance company pooled separate accounts are reported at the value reported to the Plan by the insurance company, which represents approximate fair value. The deposit administration contract is reported at estimated fair value by ING, calculated by estimating the approximate amount that would have been paid if the contract had been terminated as of the last day of the reporting period and potential surrender charges and market value adjustments were applied as of such date. Actual surrender charges and market value adjustments are determined at date of payment and benefits so identified in the contract are not subject to adjustment.

Purchases and sales of investments are recorded on a trade-date basis. Investment income is primarily comprised of realized and unrealized appreciation and depreciation of the fair value of the investments.

**Payment of Benefits**

Benefits are recorded when paid.

**Administrative Expenses**

St. Tammany Parish Hospital (the Plan Sponsor) bears most of the administrative costs of the Plan. The Trustee fees that are borne by the Plan are treated as an investment expense and are deducted from investment earnings allocated to the participants' accounts.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

**Note 3. Investments**

The table on the following page presents the fair value of the participant-directed investments in this Plan. Single participant directed investment options representing more than 5% of the Plan's net position are separately identified.

	December 31,	
	2013	2012
<u>ING Life Insurance and Annuity Company Contract</u>		
<u>No. PH9188</u>		
Participant-Directed Investment Options Within ING Life and Annuity Company Separate Account D		
RidgeWorth Large Cap value Equity Fund - A	\$ 13,042,862 *	\$ -
Pioneer Strategic Income Fund - Y	7,910,155 *	7,701,702 *
Mutual Global Discovery Fund - R	4,560,053 *	3,773,798 *
PIMCO Total Return Fund - A	3,590,090 *	3,777,802 *
Mutual Shares Fund - R	-	9,910,633 *
American Century Mid Cap Value Fund - R	-	2,696,579 *
Other Separate Account D Fund Options	17,285,097	10,284,315
ING Fixed Account - Guaranteed Interest Account	16,372,913 *	15,766,143 *
Total Investments at Fair Value	<u>\$ 62,761,170</u>	<u>\$ 53,910,972</u>

\* - Represents an individual investment option totaling more than 5% of the Plan's net position in the respective year.

A summary of the net appreciation of the Plans' investments under its contract with ING was as follows for the years ended December 31, 2013 and 2012:

	December 31,	
	2013	2012
<u>ING Life Insurance and Annuity Company Contract</u>		
<u>No. PH9188</u>		
Pooled Separate Accounts		
ING Life and Annuity Company Separate Account D	\$ 7,489,847	\$ 4,374,512
Insurance Company General Account		
ING Fixed Account - Guaranteed Interest Account	(1,109,101)	(63,086)
Net Appreciation	<u>\$ 6,380,746</u>	<u>\$ 4,311,426</u>

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 3. Investments (Continued)**

**Authorized Investments**

Louisiana state statutes authorize the Plan to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposit with state and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Plan, when present, be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The Plan's carrying amount of cash deposits was \$-0- as of December 31, 2013 and 2012.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan's pooled separate account investment has no maturity date. The Plan's deposit administration contract investment (ING Fixed Account investment) similarly, has no specific maturity dates. The ING Fixed Account guarantees principal and a minimum guaranteed interest rate for the life of the investment and features two declared interest rates: a current rate, determined at least monthly, and a guaranteed minimum floor rate declared for a defined period - currently one calendar year. The guaranteed minimum floor rate may change after the end of the defined period, but it will never be lower than the minimum guaranteed rate. The current rate, the guaranteed minimum floor rate and the minimum guaranteed interest rate are expressed as annual effective yields.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2013, the Plan's investments in ING Life Insurance and Annuity Company were rated A- by Standard & Poor's, and A3 by Moody's Investors Service.

**Concentration of Credit Risk**

The Plan's investment policy seeks to maximize participant diversification opportunities to reduce overall portfolio risk while generating growth of asset value.

The Plan places no limit on the amount that may be invested with one issuer.

The amount of the Plan's funds allocated to the ING Fixed Account discussed above are held in ING's general account which supports insurance and annuity obligations. The safety of the interest rate guaranteed under the contract is dependent on ING's claims paying ability.



**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 3. Investments (Continued)**

The Plan's funds allocated to the ING Life Insurance and Annuity Company Separate Account D will not be charged with liabilities arising out of any other business ING may conduct, but obligations of the account, including the promise to make benefit payments are obligations of ING. As of December 31, 2013, the Plan's investments consisted solely of the aforementioned ING general account and ING pooled separate account investments. As of December 31, 2013, the Plans total investment composition was as follows:

ING Life Insurance and Annuity Company, Pooled Separate Account D Funds	\$ 46,387,997	74%
General Account Funds	16,372,913	26%
<b>Total Invested Assets</b>	<b>\$ 62,760,910</b>	<b>100%</b>

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of financial institution failure, the Plan's deposits may not be returned to it. The Plan's invested funds represent direct contractual investments and are not considered securities exposed to custodial credit risk.

**Note 4. Investment Contract with Insurance Company**

The Plan's investment contract with ING is fully benefit-responsive. ING maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net position available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by ING, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate and average yield for the Plan's ING Fixed Account investment was 3.40% and 3.56% for 2013 and 2012, respectively. The crediting interest rate is based on a formula agreed upon with the issuer, but may not be less than 2.25 percent. Such interest rates are reviewed on a periodic basis for resetting.

**ST. TAMMANY PARISH HOSPITAL  
DEFINED CONTRIBUTION PLAN**

**Notes to Financial Statements**

---

**Note 4. Investment Contract with Insurance Company (Continued)**

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under Employee Retirement Income Security Act of 1974. The Plan administrator does not believe that occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

**Note 5. Plan Termination**

Although the Plan Sponsor has not expressed any intent to do so, the Plan Sponsor has the right to modify, suspend, or discontinue contributions to the Plan at any time, and such action shall not be deemed to be a termination of the Plan.

In the event the Plan terminates, the balance in each participant's or retired participant's account shall immediately become fully vested and non-forfeitable. Each participant, retired participant, or beneficiary shall be entitled to receive any amounts then credited to his or her account.

**Note 6. Income Tax Status**

The Internal Revenue Service has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is, therefore, not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Pension Administrative Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

**Note 7. Related Party Transactions**

Plan investments include units of funds managed by ING. ING is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Pension Administrative Committee  
St. Tammany Parish Hospital  
Defined Contribution Plan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying statements of St. Tammany Parish Hospital Defined Contribution Plan (the Plan) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated June 20, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
June 20, 2014